For immediate release **3 March 2005**

Dignity plc
Preliminary results for the 53 week period ended 31 December 2004

Dignity plc, Britain's largest single provider of funeral-related services, namely funeral services, cremations and pre-arranged funeral plans, announces its preliminary results for the 53 week period ended 31 December 2004.

Financial highlights

Underlying profit before tax (note a)	up 31% to £22.0 million (2003: £16.8 million)
Operating profit (note b)	up 17% to £37.4 million (2003: £32.0 million)
Turnover	up 5% to £135.7 million (2003: £129.0 million)
Operating cashflow	up 5% to £44.1 million (2003: £41.9 million)
Final dividend per share (note c)	3.75p per share

(a) Before goodwill amortisation, exceptional items and non-recurring finance charges
(b) Before goodwill amortisation and exceptional items
(c) Total dividend of 5.625p per share

Operating highlights

- Results ahead of expectations despite lower than anticipated death rate
- Nine new funeral home locations acquired, including three since the year end
- Four new branch openings
- New crematorium in Scotland
- Total unfulfilled pre-arranged funeral plans: 170,200 (2003: 164,300)
- Client satisfaction at record high

Peter Hindley, Chief Executive of Dignity plc:
"I am pleased to report a strong performance for the Group. We have delivered results ahead of expectations, despite the lower than anticipated death rate.

The Group continues to trade well and we expect to make further progress in 2005."

For more information

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Chairman's Statement

Introduction

This is Dignity's first preliminary announcement following its admission to the Official List of the London Stock Exchange in April 2004. Dignity is the largest provider of funeral related services, namely funeral services, cremations and pre-arranged funeral plans in Britain, and is the only UK listed company in this area.

As reported in our interim results last August, the listing in April 2004 raised £123.0 million before expenses, which was used by the Group to repay expensive debt, secure a more diversified ownership and create a platform for sustained growth.

Results

I am pleased to report a strong trading performance in our first year end results as a listed company. Operating profit before goodwill amortisation and exceptional items has increased by 16.9% to £37.4 million (2003: £32.0 million). Operating profit has increased by 24.6% to £33.9 million (2003: £27.2 million).

The Group performed 67,600 funerals from our network of 512 funeral homes around the country and 38,400 cremations from our 22 crematoria. This was achieved against a background of lower recorded deaths in the year. Total recorded deaths for the 53 week period to 31 December 2004 in Great Britain were 574,500 compared to 592,200 in the comparative 52 week period in 2003. This was 3.5% below our expectations for the period. Historically, fluctuations in recorded deaths have tended to be self-correcting and the Board's view on death rates continues to rely on government forecasts. Based on these forecasts, we expect 579,700 deaths in 2005.

The lower than expected revenues in the period, arising from a fall in the number of deaths, was more than offset by continued strong cost control in all areas of the business. The details of the trading results are included in the Operating and Financial Review.

The number of unfulfilled pre-arranged funerals plans at the end of the year was 170,200 (2003: 164,300). The Group expects to perform the majority of these funerals.

Underlying profit before tax and dividend

Underlying profit before tax in the financial year was £22.0 million compared to £16.8 million in the previous year, an increase of 31.0%. This is stated before exceptional items, amortisation of goodwill and non-recurring finance charges and is ahead of our expectations. After taking account of these items, the reported profit before taxation is £3.1 million (2003: loss £3.5 million).

The Board has declared a final dividend of 3.75p per share, which subject to approval at the Annual General Meeting, will be paid on 31 May 2005 to shareholders on the register at 6 May 2005. This makes a total dividend for the year of 5.625p per share and is consistent with the Group's dividend policy as set out at the time of flotation.

Developments

As part of its stated strategy, in 2004 the Group acquired six funeral home locations, funded from existing cash reserves and internally generated cash flows. In addition, since the year end, the Group has acquired a further three funeral home locations. Since flotation, this brings the total investment in acquisitions to £8.8 million. The quantum of investment and the prices paid were in line with our previously stated expectations. The Group continues to seek further acquisitions to develop and enhance the network of Dignity branches.

In addition, the Group opened four new funeral home locations under local established trading names, sharing the resources of nearby existing Dignity funeral homes. We also closed five funeral home locations where low volumes made them uneconomic.

In August, the Group opened a new crematorium at Holytown in North Lanarkshire, built in partnership with North Lanarkshire Council. Planning permission has been granted to the Group for a new crematorium at Sydes Brae in South Lanarkshire. This will also be built and operated in partnership with the local Council.

Our staff

Our business requires a personal and sensitive service to clients. The Group's commitment to the highest standards of service is central to our strategy. In 2004, customer satisfaction levels, monitored by our continuing client surveys, exceeded last year's record high. We are fortunate to employ experienced and caring staff, a large number of whom have devoted their working lives to the profession. I would like to thank all our staff for their hard work and dedication to client service.

Outlook for 2005

The successful flotation of the company has created a strong base for the future development of the business. We expect to achieve this by a combination of further acquisitions, opening new locations and seeking further partners for our pre-arranged funeral plan business. The Group continues to trade well and the Board expects the Group to make further progress in 2005.

Richard Connell
Chairman

2 March 2005

Operating and Financial Review

Operating Review

Introduction

The Group's operations are managed across three main areas, namely funeral services, crematoria and pre-arranged funeral plans, which respectively represent 80%, 16% and 4% of the Group's revenues. Funeral services relate to the provision of funerals and ancillary items such as memorials and floral tributes. Crematoria revenues arise from cremation services and the sale of memorials and burial plots at the Group's crematoria and cemeteries. Pre-arranged funeral plan income represents amounts to cover the costs of administering the sale of plans.

Performance in the period

Funeral services

The Group operates a network of 512 funeral homes throughout Britain, trading under local established names. In 2004, the Group conducted 67,600 funerals, representing 11.8% (2003: 11.7%) of total deaths in Britain.

Turnover within funeral services was £108.8 million (2003: £103.1 million) and increased in all geographical areas of the division. Operating profits before exceptional items and goodwill amortisation were £33.7 million (2003: £30.0 million), an increase of 12.3%.

Although funeral volumes were lower as a result of the decline in the number of deaths in the year, we are pleased that this was more than offset by strong cost control.

We believe it is important to actively manage the Group's portfolio of funeral homes. This year we have closed five funeral homes whose very low number of funerals meant they were no longer profitable. We have opened four new funeral homes in Edinburgh, Gateshead, Stoke-on-Trent and Southborough. These new locations share the resources of nearby existing Dignity funeral homes.

As part of our stated strategy since listing, we have acquired nine new funeral home locations, three of which were acquired in 2005. These new businesses are located in Basingstoke, Broadstairs, Burnley, Chippenham, St. Albans and Falkirk. They are all long established, highly reputable businesses.

Crematoria

The Group operates 22 crematoria and carried out 38,400 cremations in 2004 representing 6.7% (2003: 6.7%) of total deaths in Britain. The Group is the largest single operator of crematoria in Britain.

Turnover within crematoria was £21.6 million (2003: £20.1 million). Operating profits before exceptional items and goodwill amortisation were £11.5 million (2003: £9.1 million), an increase of 26.4%. The performance was achieved through a combination of strong memorial sales that increased by 12.9% and were significantly helped by initial sales of crypts at the new mausoleum at Loughborough (approximately £0.4 million) and reduced costs following a reorganisation of the business in 2003.

In August 2004, we opened a third crematorium in Scotland. The new facility at Holytown in North Lanarkshire was built in partnership with the local Council and represents a £2.0 million investment in our crematoria business.

We are also working with South Lanarkshire Council to provide a similar facility. Planning permission has been granted at Sydes Brae and building is scheduled to start in 2005.

The Group opened a new community mausoleum in July 2004 at our crematorium in Loughborough. This was developed in conjunction with the local Council, Charnwood Borough Council. It has been built to serve the needs of the Italian community in the East Midlands, whose leaders were closely involved in its design and construction. Further mausoleums were also constructed at our cemetery at Streatham in London.

There have been no changes to the regulatory environment during 2004. However, in January 2005 the Department of Environment Food and Rural Affairs announced that crematoria operators should install equipment to cut mercury emissions by 50% by 2012 under new statutory guidance. The Group is confident that it can meet all the new emissions legislation in the required timescales. We expect funding for these changes to be via an industry wide environmental levy.

Pre-arranged funeral plans

Pre-arranged funeral plans allow people to plan and pay for their funeral in advance. The Group is the market leader in the provision of funeral plans. Unfulfilled plans increased to 170,200 from 164,300 by 31 December 2004. The Group expects to perform the majority of these funerals.

The Group sells funeral plans through its network of funeral homes and primarily through affinity partners, notably Age Concern, AXA and Royal London. Although the level of unfulfilled plans grew during the year, this increase was lower than expected because of reduced activity. In particular, AXA's planned activity in 2004 was postponed. We are hopeful that activity will recommence in 2005.

Client service

We believe that excellent customer service is fundamental to the Group's success. Personal experience, recommendation and location are the customer's key criteria for the selection of a funeral director. We continually strive to maintain our high customer satisfaction levels and improve client service.

During the year, we held 90 focus group meetings with staff to ask their views on the service we provide families, and to ensure best practice is shared uniformly throughout the Group. We send our clients a survey after every funeral to monitor customer satisfaction. We have an approximate 50% response rate. This survey monitors all aspects of client service, which continues to be at very high levels.

Our employees

In 2004, the Group supported staff development and welfare through its Welfare Trust. The Welfare Trust provides funds for staff for professional training, hardship grants, and financial support for employees' children studying in further education.

The Group also provides direct support to employees through both in-house training and external training courses. Such external training includes both relevant job training and tutoring for professional qualifications.

At the end of 2004, we announced a bonus totalling £0.6 million, in which every member of staff not covered by the existing scheme was entitled to share. This was in recognition of the hard work and commitment shown by our staff in all areas of the business and allowed them to share in a successful 2004. We hope that strong performances in 2005 and beyond will allow the Group to pay such bonuses in the future.

Investment for the future

The Chairman has referred to the future development of the business in his statement. Within the funeral services division the Group is committed to the further proactive development of the national network of branches within local communities. This will be achieved by further acquisitions but only where suitable businesses can be identified and acquired at a price that should deliver returns in excess of our cost of capital. In addition to acquisitions, further new funeral homes will be opened where suitable locations and local brand names can be identified. These initiatives will be progressed in conjunction with reviewing existing locations for suitability and viability.

Within the crematoria division the Group remains committed to exploring further partnership arrangements with Local Councils, who own and operate the vast majority of crematoria in Great Britain. The Group also remains committed to the further development of its range of memorial and interment options within the memorial gardens at its crematoria and at its cemeteries.

Within the pre-arranged funeral plan division we are continuing to develop further affinity partners.

The strong performance of the Group is a reflection of both the diligence and outstanding service ethic of our staff in all areas of the business. I would like to thank all staff for their contributions for both 2004 and looking ahead into 2005.

Peter Hindley
Chief Executive

2 March 2005

Financial Review

The market conditions in which the Group operates and its trading performance during the year ended 31 December 2004 are described in the Chairman's Statement and the Chief Executive's Review.

Financial highlights

- Underlying profit before tax of £22.0 million (2003: £16.8 million), an increase of 31.0%. In addition, Recoveries from the pre-arranged funeral plan trusts were £1.2 million (2003: £1.0 million).

- Operating profit before goodwill amortisation and exceptional items has risen 16.9% to £37.4 million (2003: £32.0 million).

- Turnover has increased 5.2% to £135.7 million (2003: £129.0 million).

- Operating cashflow increased by 5.3% to £44.1 million (2003: £41.9 million).

- A final dividend of 3.75p per share, making a total of 5.625p per share for the Group's first year as a listed company.

Further statutory disclosures

- Operating profit has increased by 24.6% to £33.9 million (2003: £27.2 million).

- Profit before tax is £3.1 million (2003: loss of £3.5 million).

Underlying profit before tax and goodwill amortisation

The past two years have witnessed significant re-organisations of the Group's capital structure, including the venture capital backed management buyout in 2002, the whole business securitisation in 2003 followed by listing and redemption of expensive debt in 2004. Therefore comparison with prior periods or assessment of underlying earnings is not straightforward. The directors are of the opinion the following provides additional indicative information regarding the underlying profits of the Group:

	53 week period to 31 December 2004 £m	**52 week period to 26 December 2003 £m**
Profit / (loss) before taxation for the period as reported	3.1	(3.5)
Add / (deduct) the effects of:		
Goodwill amortisation	5.9	5.6
Exceptional items (credited)/ charged to administrative expenses	(1.2)	0.2
Exceptional items credited to other operating income (Recoveries from pre-arranged funeral plan trusts)	(1.2)	(1.0)
Exceptional interest expense	10.1	-
Interest expense of mezzanine loan and loan notes 2013	4.7	14.9
Amortisation of debt issue costs of mezzanine loan and loan notes 2013	0.6	0.6
Underlying profit before tax and goodwill amortisation*	**22.0**	**16.8**

* In addition, Recoveries from the pre-arranged funeral plan trusts were £1.2 million (2003: £1.0 million).

Cash flow and cash balances

Operating cash flow was £44.1 million in the period (2003: £41.9 million).

Expenditure on funeral home acquisitions amounted to £5.3 million (2003: £7.7 million), with expenditure on new openings and relocations amounting to £0.8 million (2003: £0.2 million). A further £7.7 million was spent on capital expenditure, the majority of which was spent on replacing or enhancing existing assets, principally the Group's vehicle fleet. The construction bond of £2.0 million in respect of the new crematorium in North Lanarkshire was released in the year following the payment of the lease premium of the same amount.

Cash balances at the end of the financial year amounted to £24.9 million although under the terms of the Group's secured borrowing, there are certain restrictions on elements of this balance as described further in note 6. The Group's operations continue to be significantly cash generative.

Capital structure and financing

The Group was listed on the London Stock Exchange in April 2004. Funds raised from the issue of shares allowed the redemption of the £40.0 million mezzanine loan and £57.0 million of the £63.0 million principal of the loan notes 2013 incurring an early redemption penalty of £4.0 million and the write-off of £6.1m of deferred issue costs. The remaining £6.0 million principal of the loan notes 2013 were redeemed on 30 July 2004 from operational cashflows.

Following these redemptions, the Group's only material external debt financing is the Class A and B secured notes, rated A and BBB+ respectively, of which £205.3 million (2003: £208.9 million) was outstanding as at 31 December 2004. Both tranches of debt were issued at fixed rates of interest and will be progressively repaid over the next 26 years.

The directors are of the opinion the following provides additional indicative information regarding the net debt position of the Group:

	31 December 2004 £m	26 December 2003 £m
Secured A and B notes	(205.3)	(208.9)
Mezzanine loan	-	(42.1)
Loan notes 2013	-	(67.0)
Loan notes 2012	-	(12.7)
Deferred issue costs	17.1	24.0
Cash	24.9	41.9
Restricted cash balances	(1.2)	(19.5)
Loan notes 2006	(0.1)	(0.1)
Net Debt per FRS 1 Statement	(164.6)	(284.4)
Restricted cash balances	1.2	19.5
Deferred issue costs	(17.1)	(24.0)
Accrued interest on secured A and B notes	-	(7.4)
Accrued interest on mezzanine loan and loan notes	-	(6.9)
Economic Net Debt	**(180.5)**	**(303.2)**

Going forward, the Group's financial expense will substantially consist of the interest on the Class A and B secured notes and the related ancillary instruments that were issued in April 2003. The finance charge in the period relating to these instruments was £16.7 million including the amortisation of debt issue costs of £1.0 million. Other ongoing interest costs incurred in the period amounted to £0.2 million, representing the unwinding of discounts on the Group's provisions and other loans.

Taxation

The overall effective tax rate on earnings before goodwill amortisation and exceptional items is approximately 32% and is not expected to vary significantly in the short term. Significant changes to the capital structure have rendered comparison of the tax charge to previous periods difficult. This tax rate is higher than the standard UK tax rate of 30% due to the impact of disallowable trading expenses and expenditure on the Group's premises that does not attract any deductions for corporation tax purposes.

Earnings per share

The basic earnings per share were 0.6 pence per share for the period (2003: loss of 13.2p per share). The potential issue of new shares pursuant to the Group's share option plans in the period would affect the earnings per share by less than 0.1 pence per share if exercised.

The Board considers the information on underlying profit before tax to be a more useful indication of comparative performance given the changes in the Group's capital structure in the year.

International accounting standards

Work is continuing to ensure that the Group is in a position to make the transition to International Accounting Standards with effect from 1 January 2005. An initial assessment has been completed of the likely effects. An action plan and programme of work has been developed and will be completed ahead of announcing our 2005 interim results. Based on initial assessments, the greatest impact is expected to be in the accounting for intangible assets, goodwill, pensions, deferred tax, property leases, share based payments and dividends.

The sub-group headed by Dignity (2002) Limited, which raised the secured A and B notes, will continue to report under UK GAAP. The usual quarterly report to Noteholders on the Dignity (2002) Limited sub-group will be issued in respect of the first quarter of 2005 in May 2005.

Pensions

The company operates two principal defined benefit pension schemes. Under FRS 17 the pension deficit would have increased from £8.9 million to £9.7 million.

Mike McCollum
Finance Director

2 March 2005

Consolidated profit and loss account
for the 53 week period ended 31 December 2004

	Note	**53 week period ended 31 December 2004**	52 week period ended 26 December 2003
		£m	£m
Turnover	1	**135.7**	129.0
Cost of sales		**(67.3)**	(66.1)
Gross profit		**68.4**	62.9
Distribution and selling costs		**(4.0)**	(4.6)
Administrative expenses		**(31.7)**	(32.1)
Other operating income		**1.2**	1.0
Operating profit before goodwill amortisation and exceptional items		**37.4**	32.0
Goodwill amortisation		**(5.9)**	(5.6)
Exceptional items		**2.4**	0.8
Operating profit	1	**33.9**	27.2
Interest payable and similar charges before exceptional charges	2	**(22.2)**	(31.7)
Interest receivable and similar income	2	**1.5**	1.0
Exceptional interest payable and similar charges on redemption of debt	2	**(10.1)**	-
Net interest payable and similar charges	2	**(30.8)**	(30.7)
Profit/ (loss) on ordinary activities before tax		**3.1**	(3.5)
Tax on profit / (loss) on ordinary activities	3	**(2.7)**	0.3
Profit/ (loss) on ordinary activities after tax		**0.4**	(3.2)
Equity minority interest		**-**	(0.3)
Profit/ (loss) for the financial period		**0.4**	(3.5)
Dividends	4	**(4.5)**	-
Result for the financial period		**(4.1)**	(3.5)
Earnings/ (loss) per 7p share	5		
- Basic and diluted		**0.6p**	(13.2)p

The results have been derived wholly from continuing activities throughout the period.

Statement of total recognised gains & losses
There were no other gains or losses other than those included within the results for the period as shown above.

Note of historical cost profit & loss
There is no difference between the result disclosed in the profit and loss account and the result on an unmodified historical cost basis.

Consolidated balance sheet
as at 31 December 2004

	Note	**31 December 2004 £m**	26 December 2003 £m
Fixed assets			
Intangible assets		**105.4**	106.5
Tangible assets		**89.3**	86.2
Investments		**1.0**	1.0
		195.7	193.7
Current assets			
Stocks		**3.4**	3.1
Debtors - amounts falling due within one year		**19.7**	20.8
- amounts falling after more than one year		**8.8**	11.1
Cash at bank and in hand	See (a) below	**24.9**	41.9
Total current assets		**56.8**	76.9
Creditors: amounts falling due within one year		**(22.5)**	(47.1)
Net current assets		**34.3**	29.8
Total assets less current liabilities		**230.0**	223.5
Creditors: amounts falling due after more than one year		**(188.3)**	(293.1)
Provisions for liabilities and charges		**(10.0)**	(10.0)
Net assets/ (liabilities)		**31.7**	(79.6)
Capital and reserves			
Called up share capital	7	**5.6**	2.0
Share premium account	7	**111.6**	-
Other reserves	7	**(12.1)**	(12.3)
Profit and loss account	7	**(72.2)**	(68.1)
Equity shareholders' funds	7	**32.9**	(78.4)
Equity minority interest		**(1.2)**	(1.2)
Capital employed		**31.7**	(79.6)

(a) Certain cash balances are subject to restrictions. See note 6.

Consolidated cash flow statement for the 53 week period ended 31 December 2004

	Note	**53 week period ended 31 December 2004**		52 week period ended 26 December 2003	
		£m	**£m**	£m	£m
Net cash inflow from operating activities	8		**44.1**		41.9
Returns on investments and servicing of finance	9		**(37.8)**		(16.3)
Taxation			**(0.1)**		-
Purchase of tangible fixed assets		**(10.5)**		(7.3)	
Sale of fixed assets		**2.3**		1.5	
Transfers from/ (to) restricted bank accounts		**18.3**		(7.3)	
Construction bond		**2.0**		(2.0)	
Capital expenditure and financial investments	6		**12.1**		(15.1)
Acquisitions and disposals			**(5.3)**		(7.7)
Equity dividends paid			**(1.5)**		-
Cash inflow before use of liquid resources and financing			**11.5**		2.8
Management of liquid resources	6		**(5.3)**		-
Financing - issue of shares		**115.2**		-	
- decrease in debt		**(125.4)**		(0.9)	
			(10.2)		(0.9)
(Decrease)/ increase in cash in the period			**(4.0)**		1.9

Reconciliation of cash flow statement to movements in net debt

	53 week period ended 31 December 2004 £m	52 week period ended 26 December 2003 £m
(Decrease)/ increase in cash in the period	**(4.0)**	1.9
Cash outflow from increase in liquid resources	**5.3**	-
Cash inflows from decrease in debt	**125.5**	7.2
Change in net debt resulting from cash flows	**126.8**	9.1
Other non-cash changes	**(7.0)**	(5.8)
Movement in net debt in the period	**119.8**	3.3
Net debt at beginning of period	**(284.4)**	(287.7)
Net debt at end of period	**(164.6)**	(284.4)

1 Turnover and segmental analysis

	53 week period ended 31 December 2004 £m	52 week period ended 26 December 2003 £m
Turnover		
Funeral services	**108.8**	103.1
Crematoria	**21.6**	20.1
Pre-arranged funeral plans	**5.3**	5.8
	135.7	129.0

Profit/ (loss) before taxation

		Exceptional items		
	Before exceptional items and goodwill amortisation £m	**Administrative income/ (expenses) £m**	**Other operating income £m**	**Total £m**
53 week period ended 31 December 2004				
Funeral services	**33.7**	**0.8**	**-**	**34.5**
Crematoria	**11.5**	**0.4**	**-**	**11.9**
Pre-arranged funeral plans	**1.3**	**-**	**1.2**	**2.5**
Head office	**(9.1)**	**-**	**-**	**(9.1)**
Operating profit/(loss) before goodwill amortisation	**37.4**	**1.2**	**1.2**	**39.8**
Goodwill amortisation				**(5.9)**
Operating profit				**33.9**
Net interest payable and similar charges				**(30.8)**
Profit on ordinary activities before tax				**3.1**
52 week period ended 26 December 2003				
Funeral services	30.0	0.5	-	30.5
Crematoria	9.1	(0.3)	-	8.8
Pre-arranged funeral plans	1.1	-	1.0	2.1
Head office	(8.2)	(0.4)	-	(8.6)
Operating profit/(loss) before goodwill amortisation	32.0	(0.2)	1.0	32.8
Goodwill amortisation				(5.6)
Operating profit				27.2
Net interest payable and similar charges				(30.7)
Loss on ordinary activities before tax				(3.5)

2 Net interest payable

	53 week period ended 31 December 2004 £m	52 week period ended 26 December 2003 £m
Interest payable and similar charges		
Class A and B secured notes	**15.1**	10.6
Bank loans settled 11 April 2003	**-**	4.2
Mezzanine bank loan	**2.1**	7.2
Loan notes	**2.6**	7.7
Other loans	**0.1**	0.1
Amortisation of issue costs	**1.6**	1.4
Unwinding of discount	**0.7**	0.5
Interest payable & similar charges before exceptional items	**22.2**	31.7
Exceptional interest payable & similar charges		
Premium on early redemption of mezzanine loan	**4.0**	-
Exceptional amortisation of deferred debt issue costs	**6.1**	-
Exceptional interest payable & similar charges	**10.1**	-
Total interest payable & similar charges	**32.3**	31.7
Interest receivable and similar income		
Bank deposits	**(1.3)**	(0.9)
Debenture loan	**(0.2)**	(0.1)
Interest receivable and similar income	**(1.5)**	(1.0)
Net interest payable and similar charges	**30.8**	30.7

Following flotation, the Group redeemed the £40.0 million Mezzanine Loan and £57.0 million of the £63.0 million principal of the Loan Notes 2013, incurring an early redemption penalty of £4.0 million and writing-off £6.1 million of deferred issue costs. The remaining £6.0 million principal of the Loan Notes 2013 were redeemed on 30 July 2004. Further details are set out in the operating and financial review.

3 Tax

	53 week period ended 31 December 2004 £m	52 week period ended 26 December 2003 £m
The taxation charge for the period comprises:		
Current tax: current period provision	**0.2**	-
Current tax: release of prior period provisions	**-**	(0.2)
	0.2	(0.2)
Deferred tax: origination and reversal of timing differences	**3.1**	1.1
Deferred tax: adjustment relating to prior periods	**(0.6)**	(1.2)
	2.7	(0.3)

4 Dividends

	53 week period ended 31 December 2004 £m	52 week period ended 26 December 2003 £m
Equity – Ordinary		
Interim paid: 1.875p (2003: nil) per 7p share	**1.5**	-
Final proposed: 3.75p (2003: nil) per 7p share	**3.0**	-
	4.5	-

5 Earnings per share

The calculation of basic earnings/ (loss) per ordinary share has been based on the profit/ (loss) for the relevant period. The potential issue of new shares pursuant to the Group's share option plans in the period would affect the earnings per share by less than 0.1 pence per share if exercised.

On 31 March 2004, prior to admission to the Official List of the London Stock Exchange, the Company undertook a restructuring of its existing share capital.

The weighted average number of shares used for the current period is based on 26,521,740 shares prior to admission and 80,000,000 shares in issue after admission. The weighted average number of shares used for the comparative period is 26,521,740.

	Earnings £m	**Weighted average number of shares Millions**	**Per share amount Pence**
53 week period ended 31 December 2004	0.4	65.0	0.6
52 week period ended 26 December 2003	(3.5)	26.5	(13.2)

6 Cash at bank and in hand

	Note	**2004 £m**	2003 £m
Cash at bank and in hand		**24.9**	41.9
Represented by:			
Operating cash		**12.4**	4.3
Cash for acquisitions	(a)	**7.2**	10.4
Amounts set aside for mezzanine loan	(b)	**-**	5.8
Cash collateralised for loan notes	(c)	**-**	12.7
Amounts set aside for intercompany loan	(d)	**5.3**	-
Amounts set aside for secured A and B notes	(e)	**-**	8.7
		24.9	41.9

(a) Under the terms of the Group's secured borrowings, this amount is required to be retained in a separate account. This account may, in normal circumstances, only be used for acquiring tangible fixed assets and businesses (either trade and assets or share purchases). Included in this amount is £1.2 million (2003: £1.0 million) relating to Recoveries, which may not be used for one year following receipt and hence does not meet the definition of cash in FRS 1, 'Cash Flow Statements'.

(b) This amount (save for circumstances where the directors believed there may have been a risk of defaulting on the secured notes) could only be used in paying the interest and principal due on the mezzanine loan. This amount did not meet the definition of cash in FRS 1.

(c) This amount was subject to a charge in favour of the loan notes 2012. This amount did not meet the definition of cash in FRS 1.

(d) This amount (save for circumstances where the directors believe there may be a risk of defaulting on the secured notes) may only be used in paying the interest and principal due on a loan between Dignity (2002) Limited and Dignity Mezzco Limited, both of whom are wholly owned subsidiaries of Dignity plc.

(e) This amount was required under the terms of the Group's secured borrowings to be used to pay interest and principal on 31 December 2004 and 31 December 2003 respectively.

Movements in the amounts described in notes (a) as Recoveries, together with the amounts described in notes (b) and (c), have been treated as 'transfers from /(to) restricted bank accounts' in the cash flow statement and are reported within 'capital expenditure and financial investment' as they do not meet the definition of cash in FRS 1.

Movements in the amounts described in note (d) have been treated as 'management of liquid resources' in the cash flow statement as they do not meet the definition of cash in FRS 1, but will become available for the Group's use once the intercompany payment has been made.

7 Reconciliation of movements in shareholders' funds

	Share capital £m	Share premium account £m	Other reserves £m	Profit and loss account £m	Total £m
Shareholders' funds as at 26 December 2003	**2.0**	**-**	**(12.3)**	**(68.1)**	**(78.4)**
Profit for the period	-	-	-	0.4	0.4
Dividends	-	-	-	(4.5)	(4.5)
Share issue	3.6	111.6	-	-	115.2
Effects of long term incentive plan	-	-	0.2	-	0.2
Shareholders' funds as at 31 December 2004	**5.6**	**111.6**	**(12.1)**	**(72.2)**	**32.9**

8 Reconciliation of operating profit to net cash inflow from operating activities

	2004 £m	2003 £m
Operating profit	**33.9**	27.2
Depreciation and amortisation charges	**13.1**	13.4
Profit on disposal of fixed assets	**(1.2)**	(0.3)
Decrease in provisions	**(0.4)**	(0.2)
(Increase)/ decrease in stocks	**(0.3)**	0.5
Decrease in debtors	**(0.7)**	(0.9)
(Decrease)/ increase in creditors	**(0.3)**	2.2
Net cash inflow from operating activities	**44.1**	41.9

Included within the operating cash flows shown above are exceptional items (charged) and/ or credited to operating profit. None of these items have an impact on the reported cash flows with the exception of the following:

	2004 £m	2003 £m
Expenses relating to refinancing	**-**	(0.5)
Recoveries	**1.2**	1.0
Net cash inflow from exceptional items	**1.2**	0.5

9 Returns on investments and servicing of finance

	2004 **£m**	2003 £m
Interest paid on Class A and B secured notes	**(22.4)**	(3.3)
Interest paid on other facilities	**(0.2)**	(0.1)
Payments in respect of swaps	**(1.0)**	(0.2)
Interest paid on bank loan repaid April 2003	**-**	(4.4)
Interest paid on mezzanine loan	**(5.1)**	(2.2)
Interest paid on loan notes 2013	**(6.6)**	-
Redemption penalty on mezzanine loan	**(4.0)**	-
Total interest paid	**(39.3)**	(10.2)
Interest received	**1.6**	1.1
Tax payable on interest payments	**-**	(0.9)
Issue costs of debt finance	**(0.1)**	(6.3)
Returns on investments and servicing of finance	**(37.8)**	(16.3)

As a result of the prior period ending on 26 December 2003, the Group's cashflows in 2004 included expenditure such as interest and debt service repayments in respect of the secured A and B notes (£9.1 million) and quarterly operating cashflows that were paid in 2003 but are recognised as 2004 cashflows for statutory purposes.

10 Securitisation

In accordance with the terms of the securitisation carried out in April 2003, Dignity (2002) Limited (the holding company of those companies subject to the securitisation), has today issued reports to the Rating Agencies (Fitch and Standard & Poor's), the Security Trustee and the holders of the notes issued in connection with the securitisation confirming compliance with the covenants established under the securitisation.

Copies of this report are available at www.dignityfuneralsplc.co.uk.

11 Basis of preparation

The abridged accounts for the preliminary results for the 53 week period ended 31 December 2004 are unaudited. The financial information set out in the announcement does not constitute the Group's statutory accounts for the periods ended 31 December 2004 or 26 December 2003. The financial information for the 52 week period ended 26 December 2003 is derived from the statutory accounts for that year which have been delivered to the Registrar of Companies. The auditors reported on those accounts; their report was unqualified and did not contain a statement under either Section 237 (2) or Section 237 (3) of the Companies Act 1985. The statutory accounts for the 53 week period ended 31 December 2004 have been prepared on the basis of the accounting policies set out in the Group's 2003 financial statements and will be finalised on the basis of the financial information presented by the directors in this preliminary announcement and be delivered to the Registrar of Companies following the Company's Annual General Meeting.